



# House of Representatives

General Assembly

**File No. 734**

January Session, 2017

Substitute House Bill No. 7316

*House of Representatives, May 9, 2017*

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING EVALUATION OF BUSINESS ASSISTANCE AND INCENTIVE PROGRAMS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-1m of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) Not later than February [1, 2006, and annually thereafter] first,  
4 annually, the Commissioner of Economic and Community  
5 Development shall submit a report to the Governor, the Auditors of  
6 Public Accounts and the joint standing committees of the General  
7 Assembly having cognizance of matters relating to appropriations and  
8 the budgets of state agencies, finance, revenue and bonding and  
9 commerce, in accordance with the provisions of section 11-4a. Not later  
10 than thirty days after submission of the report, [to the Governor and  
11 the General Assembly,] said commissioner shall post the report on the  
12 Department of Economic and Community Development's web site.  
13 [Said] Such report shall include, but not be limited to, the following

14 information with regard to the activities of the Department of  
15 Economic and Community Development and to business assistance or  
16 incentive programs not administered by the department, during the  
17 preceding state fiscal year:

18 (1) A brief description and assessment of the state's economy during  
19 such year, utilizing the most recent and reasonably available data, and  
20 including:

21 (A) Connecticut employment by industry;

22 (B) Connecticut and national average unemployment;

23 (C) Connecticut gross state product, by industry;

24 (D) Connecticut productivity, by industry, compared to the national  
25 average;

26 (E) Connecticut manufacturing activity;

27 (F) Identification of economic and competitive conditions affecting  
28 Connecticut's industry sectors, problems resulting from these  
29 conditions and state efforts to address the problems;

30 (G) A brief summary of Connecticut's competitiveness as a place for  
31 business, which shall include, but not be limited to, an evaluation of (i)  
32 how the programs and policies of state government affect the state  
33 economy and state business environment, (ii) the ability of the state to  
34 retain and attract businesses, (iii) the steps taken by other states to  
35 improve the competitiveness of such states as places for business, and  
36 (iv) programs and policies the state could implement to improve the  
37 competitiveness of the state in order to encourage economic growth;  
38 and

39 (H) Any other economic information that the commissioner deems  
40 appropriate.

41 (2) A statement of the department's economic and community  
42 development objectives, measures of program success and standards

43 for granting financial and nonfinancial assistance under programs  
44 administered by the department.

45 (3) An analysis of the economic development portfolio of the  
46 department, including, but not limited to, each business assistance or  
47 incentive program, including any business tax credit or abatement  
48 program, grant, loan, forgivable loan or other form of assistance,  
49 enacted for the purpose of improving economic development. The  
50 analysis shall include:

51 (A) A list of the names, addresses and locations of all recipients of  
52 the department's assistance;

53 (B) The following information concerning each recipient of such  
54 assistance: (i) Business activities, (ii) standard industrial classification  
55 codes or North American industrial classification codes, (iii) number of  
56 full-time jobs and part-time jobs at the time of application, (iv) number  
57 of actual full-time jobs and actual part-time jobs during the preceding  
58 state fiscal year, (v) whether the recipient is a minority or woman-  
59 owned business, (vi) a summary of the terms and conditions for the  
60 assistance, including the type and amount of state financial assistance,  
61 job creation or retention requirements and anticipated wage rates, (vii)  
62 the amount of investments from private and other nonstate sources  
63 that have been leveraged by the assistance, (viii) the extent to which  
64 employees of the recipient participate in health benefit plans offered  
65 by such recipient, (ix) the extent to which the recipient offers unique  
66 economic, social, cultural or aesthetic attributes to the municipality in  
67 which the recipient is located or to the state, and (x) the amount of  
68 state investment;

69 (C) A portfolio analysis, including (i) an analysis of the wages paid  
70 by recipients of financial assistance, (ii) the average portfolio wage,  
71 median portfolio wage, highest and lowest portfolio wage, (iii)  
72 portfolio wage data by industry, and (iv) portfolio wage data by  
73 municipality;

74 (D) An investment analysis, including (i) total portfolio value, (ii)

75 total investment by industry, (iii) portfolio dollar per job average, (iv)  
76 portfolio leverage ratio, and (v) percentage of financial assistance  
77 which was provided to high performance work organizations in the  
78 preceding state fiscal year; [and]

79 (E) An analysis of the estimated economic effects of the  
80 department's economic development investments on the state's  
81 economy, including (i) contribution to gross state product for the total  
82 economic development portfolio and for any investment activity  
83 occurring in the preceding state fiscal year, (ii) direct and indirect  
84 employment created by the investments for the total portfolio and for  
85 any investment activity occurring in the preceding state fiscal year, (iii)  
86 productivity of recipients of financial assistance as a result of the  
87 department's investment occurring in the preceding state fiscal year,  
88 (iv) directly or indirectly increased property values in the  
89 municipalities in which the recipients of assistance are located, and (v)  
90 personal income. The analysis shall include, for each business  
91 assistance or incentive program for which such data is available, the  
92 number of new jobs created, the borrowing cost to the state and the  
93 estimated impact of such program on annual state revenues;

94 (F) An analysis of whether the statutory and programmatic goals of  
95 each business or incentive program are being met, with obstacles to  
96 such goals identified, if possible;

97 (G) (i) Recommendations as to whether any existing business  
98 assistance or incentive program should be continued, modified or  
99 repealed and the basis or bases for such recommendations, and (ii) any  
100 recommendations for additional data collection by the state to better  
101 inform future evaluations of such programs; and

102 (H) The methodologies and assumptions used in carrying out the  
103 analyses under this subdivision.

104 (4) An analysis of the community development portfolio of the  
105 department, including:

106 (A) A list of the names, addresses and locations of all recipients of  
107 the department's assistance;

108 (B) The following information concerning each recipient of such  
109 assistance: (i) Amount of state investment, (ii) a summary of the terms  
110 and conditions for the department's assistance, including the type and  
111 amount of state financial assistance, and (iii) the amount of  
112 investments from private and other nonstate sources that have been  
113 leveraged by such assistance;

114 (C) An investment analysis, including (i) total active portfolio value,  
115 (ii) total investments made in the preceding state fiscal year, (iii) total  
116 portfolio by municipality, (iv) total investments made in the preceding  
117 state fiscal year categorized by municipality, (v) total portfolio  
118 leverage ratio, and (vi) leverage ratio of the total investments made in  
119 the preceding state fiscal year; and

120 (D) An analysis of the estimated economic effects of the  
121 department's economic development investments on the state's  
122 economy, including (i) contribution to gross state product for the total  
123 portfolio and for any investment activity occurring in the preceding  
124 state fiscal year, (ii) direct and indirect employment created by the  
125 investments for the total portfolio and for any investment activity  
126 occurring in the preceding state fiscal year, (iii) productivity of  
127 recipients of financial assistance as a result of the department's  
128 investment occurring in the preceding state fiscal year, (iv) directly or  
129 indirectly increased property values in the municipalities in which the  
130 recipients are located, and (v) personal income.

131 (5) An analysis of each business assistance or incentive program,  
132 including any business tax credit or abatement program, grant, loan,  
133 forgivable loan or other form of assistance, enacted for the purpose of  
134 improving economic development, that (A) (i) had ten or more  
135 recipients of assistance in the preceding state fiscal year, or (ii)  
136 credited, abated or distributed more than one million dollars in the  
137 preceding state fiscal year, and (B) is not administered by the  
138 department. The analysis shall include:

139 (i) An overview of the business assistance or incentive program and  
140 an analysis of its estimated economic effects on the state's economy,  
141 including, for each program where such data is available, the number  
142 of new jobs created and the estimated impact of such program on  
143 annual state revenues;

144 (ii) An analysis of whether the statutory and programmatic goals of  
145 each business assistance or incentive program are being met, with  
146 obstacles to such goals identified, if possible;

147 (iii) Recommendations as to whether any such existing business  
148 assistance or incentive program should be continued, modified or  
149 repealed and the basis or bases for such recommendations, and any  
150 recommendations for additional data collection by the state to better  
151 inform future evaluations of such programs; and

152 (iv) The methodologies and assumptions used in carrying out the  
153 analysis under this subdivision.

154 [(5)] (6) A summary of the department's economic and community  
155 development marketing efforts in the preceding state fiscal year, a  
156 summary of the department's business recruitment strategies and  
157 activities in such year, and a summary of the department's efforts to  
158 assist small businesses and minority business enterprises in such year.

159 [(6)] (7) A summary of the department's international trade efforts  
160 in the preceding state fiscal year, and, to the extent possible, a  
161 summary of foreign direct investment that occurred in the state in such  
162 year.

163 [(7)] (8) Identification of existing economic clusters, the formation of  
164 new economic clusters, the measures taken by the commissioner  
165 during the preceding state fiscal year to encourage the growth of  
166 economic clusters and the amount of bond funds expended by the  
167 department during the previous fiscal year on each economic cluster.

168 [(8)] (9) (A) A summary of the department's brownfield-related  
169 efforts and activities within the Office of Brownfield Remediation and

170 Development established pursuant to subsections (a) to (d), inclusive,  
171 of section 32-761 in the preceding state fiscal year, except for activity  
172 under the Special Contaminated Property Remediation and Insurance  
173 Fund program. Such efforts shall include, but not be limited to, (i) total  
174 portfolio investment in brownfield remediation projects, (ii) total  
175 investment in brownfield remediation projects in the preceding state  
176 fiscal year, (iii) total number of brownfield remediation projects, (iv)  
177 total number of brownfield remediation projects in the preceding state  
178 fiscal year, (v) total of reclaimed and remediated acreage, (vi) total of  
179 reclaimed and remediated acreage in the preceding state fiscal year,  
180 (vii) leverage ratio for the total portfolio investment in brownfield  
181 remediation projects, and (viii) leverage ratio for the total portfolio  
182 investment in brownfield remediation projects in the preceding state  
183 fiscal year. Such summary shall include a list of such brownfield  
184 remediation projects and, for each such project, the name of the  
185 developer and the location by street address and municipality and a  
186 tracking of all funds administered through or by said office;

187 (B) A summary of the department's efforts with regard to the  
188 Special Contaminated Property Remediation and Insurance Fund,  
189 including, but not limited to, (i) the number of applications received in  
190 the preceding state fiscal year, (ii) the number and amounts of loans  
191 made in such year, (iii) the names of the applicants for such loans, (iv)  
192 the average time period between submission of application and the  
193 decision to grant or deny the loan, (v) a list of the applications  
194 approved and the applications denied and the reasons for such  
195 denials, and (vi) for each project, the location by street address and  
196 municipality; and

197 (C) A summary of the department's efforts with regard to the dry  
198 cleaning grant program, established pursuant to section 12-263m,  
199 including, but not limited to, (i) information as to the number of  
200 applications received, (ii) the number and amounts of grants made  
201 since the inception of the program, (iii) the names of the applicants,  
202 (iv) the time period between submission of application and the  
203 decision to grant or deny the loan, (v) which applications were

204 approved and which applications were denied and the reasons for any  
205 denials, and (vi) a recommendation as to whether the surcharge and  
206 grant program established pursuant to section 12-263m should  
207 continue.

208     ~~[(9)]~~ (10) The following information concerning enterprise zones  
209 designated under section 32-70:

210         (A) A statement of the current goals for enterprise zones;

211         (B) A statement of the current performance standards to measure  
212 the progress of municipalities that have enterprise zones in attaining  
213 the goals for such zones;

214         (C) A report from each municipality that has an enterprise zone,  
215 which evaluates the progress of the municipality in meeting the  
216 performance standards established under section 32-70a; and

217         (D) An assessment of the performance of each enterprise zone based  
218 on information collected under subparagraph (C) of this subdivision.

219     ~~[(10)]~~ (11) With regard to the grant program designated pursuant to  
220 sections 32-324a to 32-324e, inclusive, an assessment of program  
221 performance.

222     ~~[(11)]~~ (12) With regard to the fuel diversification program  
223 designated pursuant to section 32-324g, an assessment of program  
224 performance.

225     ~~[(12)]~~ (13) An assessment of the performance of the Connecticut  
226 qualified biodiesel producer incentive account grant program  
227 established pursuant to sections 32-324a to 32-324e, inclusive.

228     ~~[(13)]~~ (14) An assessment of the performance of the fuel  
229 diversification grant program established pursuant to section 32-324g.

230     ~~[(14)]~~ (15) A summary of the total social and economic impact of the  
231 department's efforts and activities in the areas of economic and  
232 community development, and an assessment of the department's



233 performance in terms of meeting its stated goals and objectives.

234 [(15)] (16) With regard to the Connecticut Credit Consortium  
235 established pursuant to section 32-9yy, a summary of the activity of  
236 such program, including, but not limited to, the number of loans and  
237 lines of credit applied for and approved, the size of the businesses, the  
238 amount of the loans or lines of credit, and the amount repaid to date.

239 [(16)] (17) With regard to the office of the permit ombudsman,  
240 established pursuant to section 32-726:

241 (A) The names of applicants for expedited review;

242 (B) The date of request for expedited review;

243 (C) The basis upon which the applicant claimed eligibility for  
244 expedited review;

245 (D) State agencies that participated in the permit review process;

246 (E) The dates on which the permit was granted or denied via the  
247 expedited review process or the date the applicant was determined not  
248 to be eligible for expedited review; and

249 (F) If applicable, the reason the applicant was determined not to be  
250 eligible for the expedited review process.

251 [(17)] (18) With regard to the Small Business Express program  
252 established pursuant to section 32-7g, data on (A) the number of small  
253 businesses that applied to the Small Business Express program, (B) the  
254 number of small businesses that received assistance under said  
255 program and the general categories of such businesses, (C) the  
256 amounts and types of assistance provided, (D) the total number of jobs  
257 on the date of application and the number proposed to be created or  
258 retained, and (E) the most recent employment figures of the small  
259 businesses receiving assistance.

260 [(18)] (19) With regard to airport development zones established  
261 pursuant to section 32-75d, a summary of the economic and cost

262 benefits of each zone and any recommended revisions to any such  
263 zones.

264 (b) Any annual report that is required from the department by any  
265 provision of the general statutes shall be incorporated into the annual  
266 report [provided] submitted pursuant to subsection (a) of this section.

267 (c) On or before March 1, 2018, and annually thereafter, the joint  
268 standing committees of the General Assembly having cognizance of  
269 matters relating to appropriations and the budgets of state agencies,  
270 finance, revenue and bonding and commerce shall hold, individually  
271 or jointly, one or more public hearings on the analyses included in the  
272 annual report under subdivisions (3) and (5) of subsection (a) of this  
273 section.

274 Sec. 2. (NEW) (*Effective from passage*) (a) As used in this section:

275 (1) "Annual report" means the report required under subsection (a)  
276 of section 32-1m of the general statutes, as amended by this act;

277 (2) "Incentive programs" means every business assistance or  
278 incentive program, including any business tax credit or abatement  
279 program, grant, loan, forgivable loan or other form of assistance,  
280 enacted for the purpose of improving economic development; and

281 (3) "Performance audit" means an examination of performance that  
282 provides findings or conclusions to determine effectiveness in  
283 achieving expressed legislative purposes.

284 (b) As part of each audit the Auditors of Public Accounts perform of  
285 the Department of Economic and Community Development or as a  
286 stand-alone audit, said auditors shall conduct a performance audit of  
287 incentive programs, in such order and frequency as said auditors deem  
288 necessary. Said auditors shall conduct any such performance audit in  
289 accordance with generally accepted government auditing standards or  
290 by another method said auditors deem appropriate.

291 (c) As part of each audit the Auditors of Public Accounts perform of

292 the Department of Economic and Community Development, said  
293 auditors shall evaluate the annual reports submitted by the  
294 Commissioner of Economic and Community Development since the  
295 last audit performed of the department by said auditors and the  
296 analyses required under subdivisions (3) and (5) of subsection (a) of  
297 section 32-1m of the general statutes, as amended by this act, and  
298 included in such annual reports. Such evaluation shall include, but  
299 need not be limited to:

300 (1) A determination of whether evidence is available to support the  
301 accuracy of the data presented in such annual reports;

302 (2) An evaluation of management practices and operations with  
303 respect to the ease or difficulty for taxpayers to comply with the  
304 requirements of the incentive programs;

305 (3) Recommendations for improving the administrative efficiency or  
306 effectiveness of the incentive programs; and

307 (4) An evaluation of whether such annual reports satisfy the  
308 reporting requirements under subsection (a) of section 32-1m of the  
309 general statutes, as amended by this act.

310 (d) (1) The Auditors of Public Accounts shall submit a report, in  
311 accordance with section 11-4a of the general statutes, of the  
312 performance audit and evaluation required, pursuant to subsections  
313 (b) and (c) of this section, as part of each audit said auditors perform of  
314 the Department of Economic and Community Development, to the  
315 Governor, the Secretary of the Office of Policy and Management and  
316 the joint standing committees of the General Assembly having  
317 cognizance of matters relating to appropriations and the budgets of  
318 state agencies, finance, revenue and bonding and commerce. Such  
319 report may be submitted as part of the audit report of the Department  
320 of Economic and Community Development that said auditors issue  
321 pursuant to section 2-90 of the general statutes.

322 (2) The Auditors of Public Accounts shall submit a report, in

323 accordance with section 11-4a of the general statutes, of any stand-  
324 alone performance audit conducted pursuant to subsection (b) of this  
325 section, to the Governor, the Secretary of the Office of Policy and  
326 Management and the joint standing committees of the General  
327 Assembly having cognizance of matters relating to appropriations and  
328 the budgets of state agencies, finance, revenue and bonding and  
329 commerce.

330 (e) Said committees shall hold, individually or jointly, one or more  
331 public hearings on a report submitted pursuant to subsection (d) of  
332 this section.

333 Sec. 3. Section 32-1r of the general statutes is repealed. (*Effective from*  
334 *passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	32-1m
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	Repealer section

**FIN** Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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### ***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

### ***Explanation***

The bill does not result in a fiscal impact by making various changes pertaining to certain evaluation reports on state business assistance programs. Specifically:

**Sections 1 and 3** are not anticipated to result in a fiscal impact by (1) modifying the requirements of the DECD annual report to include analyses of business assistance and incentive programs and (2) eliminating the triennial tax credit and abatement. DECD currently analyzes business assistance programs in its normal course of business and therefore can accommodate these changes without additional resources.

**Section 2** requires the Auditors of Public Accounts to (1) conduct performance audits of DECD's incentive program, (2) evaluate the accuracy of DECD's annual report and (3) issue a report including recommendations for improving the administrative efficiency or effectiveness of these incentive programs. This will not require any additional resources.

### ***The Out Years***

***State Impact:*** None

***Municipal Impact:*** None

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**OLR Bill Analysis****sHB 7316*****AN ACT CONCERNING EVALUATION OF BUSINESS ASSISTANCE  
AND INCENTIVE PROGRAMS.*****SUMMARY**

This bill expands legislative review of economic development programs, including certain programs administered by agencies other than the Department of Economic and Community Development (DECD). It does this by requiring DECD to include information about the economic development programs in its annual report and making it the basis for the review. DECD must submit the expanded report to the Auditors of Public Accounts (i.e., the auditors) and the Appropriations; Commerce; and Finance, Revenue and Bonding committees (i.e., review committees).

The bill requires the auditors to assess the programs' performance, evaluate the annual report's accuracy, and submit a report on their findings to the review committees each time they audit DECD. Upon receiving this report, the committees must hold one or more separate or joint hearings on its findings.

The bill eliminates the requirement that DECD submit a separate, triennial report on state programs that provide tax incentives to businesses, including those administered by other agencies. Under the bill, DECD must include information about all of these programs in its expanded annual report.

EFFECTIVE DATE: Upon passage

**DECD ANNUAL REPORT**

The bill makes DECD's annual report the trigger for legislative program review. To facilitate that review, the bill expands the report's

content and requires DECD to submit the report to the auditors and the review committees.

***Content***

The bill adds to the information DECD must include in the annual report. Under current law, the report must include an assessment of the state's economy; information about the businesses, municipalities and other entities that received DECD loans, grants, and other financial assistance; and the assistance's economic impact. The bill requires DECD to also include separate analyses of its programs and those of other agencies that provide financial assistance and tax incentive to businesses (e.g., Labor Department's Subsidized Training and Employment Program and Connecticut Innovations' Angel Investor Tax Credit).

Under the bill, DECD must include, if available, data on the number of new jobs these programs created, how much it cost the state to borrow funds to finance the programs, and the estimated impact the programs had on the state's annual revenues.

DECD must also include:

1. an assessment of whether the programs are meeting their statutory and programmatic goals and, if possible, the obstacles preventing them from meeting those goals;
2. recommendations about whether these programs should be continued, modified, or repealed and the reasons for each recommendation;
3. recommendations for additional data that must be collected to improve evaluations; and
4. a description of the methodologies used and the assumptions made to analyze the programs.

The bill requires DECD to provide the same information and analyses about programs other agencies administer, but only for those

programs that had 10 or more recipients or awarded over \$1 million in assistance during the prior fiscal year.

***Distribution***

Under current law, DECD must submit the report to the governor and the legislature by February 1 annually. The bill requires DECD to submit it by that date to the governor, the auditors, and the review committees, but not the entire legislature.

***Three-Year Tax Credit Report***

The bill eliminates the requirement that DECD evaluate, every three years, the state's economic development tax incentive programs and report the results to the governor, the Office of Policy and Management (OPM) secretary, and the Appropriations and Finance, Revenue and Bonding committees (CGS § 32-1r). The law specifies the kind of information DECD must provide in this report (see BACKGROUND).

**AUDITORS**

Under the bill, the auditors must audit the financial assistance and tax incentive programs' performance (i.e., performance audits) and the annual report's accuracy each time they audit DECD.

***Performance Audits***

The performance audits must examine the extent to which the programs are achieving their statutory purposes. The auditors must conduct these performance audits as part of a regular audit, but they may also conduct them at their discretion as a separate audit. They must conduct them according to generally accepted government auditing standards or other methods they deem appropriate.

***DECD Annual Report Evaluation***

Each time the auditors audit DECD, they must evaluate the accuracy of the annual reports DECD completed since their last DECD audit. The evaluation must:

1. determine if there is evidence to support the accuracy of the



report's data,

2. evaluate whether the tax incentive programs are being managed and operated so as to make it easy for taxpayers to comply with their requirements,
3. recommend how the agencies can improve their programs' administrative efficiency and effectiveness, and
4. evaluate whether the reports provide all the information the statute requires (CGS § 32-1m).

### ***Auditor Reports and Legislative Hearings***

The auditors must submit a report on each performance audit and annual report evaluation to the governor, OPM secretary, and review committees. They may submit these reports separately or as part of a statutorily required audit report.

The bill requires the review committees to hold at least one separate or joint hearing on these reports.

## **BACKGROUND**

### ***Triennial Evaluation of Economic Development Tax Credits***

Current law requires DECD to prepare a three-year report on the state's economic development tax incentive programs and specifies the kind of information DECD must include in it.

### ***Related Bill***

HB 7231 (File 360) reduces the kind of information DECD must include in its annual report (and four-year strategic economic development plan). Current law specifies the topics and issues DECD must cover in the report and the type of data and analyses it must include. The bill continues to require DECD to address these topics and issues, but eliminates many requirements that it do so by providing specified data and analyses.

## **COMMITTEE ACTION**

## Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea    51        Nay   0        (04/27/2017)